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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 002933

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TAGS: [ECON](#) [EPET](#) [ENRG](#) [PGOV](#) [PREL](#) [IZ](#)

SUBJECT: PM MALIKI REQUESTS USG HELP FACILITATING FUEL  
IMPORTS FROM NEIGHBORING COUNTRIES

Classified By: Ambassador Zalmay Khalilzad, for reasons 1.4 (b) and (d)

¶1. (C) Summary and Action Request: Prime Minister Maliki requested the USG approach Iraq's neighbors - Turkey, Saudi Arabia, and Kuwait in particular - to request these countries increase or facilitate fuel exports to Iraq in light of the country's continuing fuel shortage. Gasoline and LPG (cooking gas) are particularly short, with Baghdad and northern Iraq at less than one day of supply. Septel reports on GOI actions to address the shortage. Request the Department instruct Embassies Ankara, Riyadh, Amman, and Kuwait to emphasize the importance of fuel imports in Iraq's present difficult security circumstances. Furthermore, encourage appropriate host country interlocutors to facilitate the increased shipments that the GOI is temporarily funding. Please identify any actions or issues that the GOI must address with regard to your host country that could preclude increasing shipments. End Summary and Action Request.

¶2. (C) In an August 11 meeting with the Ambassador, Prime Minister Maliki said that Iraq's fuel situation is deteriorating, and worried that the continuing fuel shortage would lead to civil unrest. The PM said he has recently received calls from religious leaders such as Grand Ayatollah al-Sistani and Abdul Aziz al-Hakim asking Maliki to take urgent measures to ameliorate the situation. "Restrictions on supply" from Turkey, Saudi Arabia and Kuwait, combined with the poor state of Iraq's own refining capacity (NOTE: currently operating at approximately 50% of capacity. END NOTE) leave Iraq with extreme shortages. Although the GOI has plans to increase production, enhance pipeline security and diversify its fuel sources, Maliki requested the U.S. facilitate what he called short-term assistance from Kuwait, Saudi Arabia and Turkey.

¶3. (C) While the GOI has been obsessed with the need to increase LPG imports in light of the workover that has shut down Iraq's southern NGL/LPG plant since July 15 (NOTE: It is due back on line August 13. END NOTE), supplies of gasoline have also declined with, among other things, the drastic curtailment in operations at Bayji after the interdiction of the 26" pipeline that delivers crude oil to the refinery. This latest breach, as well as the host of other maintenance and infrastructure security issues that constantly plague Iraq's oil and refined product network are hardly news. As has happened in the past, however, the current low production has coincided with lower-than-planned imports for a number of reasons. A Kuwaiti refinery off-line for maintenance in June means that shipments are only now in August starting to rebound. The Israeli blockade of Mediterranean shipping has blocked shipments to Iraq via Syria, according to the Director General of the State Oil Marketing Company (SOMO).

Ongoing disagreements regarding the number of suppliers and the status of a (relatively) small amount of arrears appear to be dissuading the GOT from increasing supply. Ongoing construction and an anti-corruption campaign at Habur Gate have also affected Turkish imports. The Khor al-Zubayr facility on the Gulf is working at capacity, making significant increases in imports by ship difficult. Baghdad and the Kurdish area have less than one day of supply of gasoline and LPG (cooking gas) on hand.

¶4. (C) While security remains a major issue, much of the stressed Iraqi fuel situation is of the GOI's own making. Aside from reducing subsidies for retail fuel products, the GOI has failed to take major steps to combat rampant corruption in the fuel market. The GOI has been unable or unwilling to impose order in the chaotic distribution system. The GOI has been unwilling, until very recently, to even consider allowing private companies to import fuel. Add these to the decrepit refining facilities, the frequent attacks on the country's energy infrastructure, and decreased availability of refined fuel products in the aftermath of hurricanes that struck the U.S. in 2005 -- making an unreliable payer such as Iraq among the last to be served -- the precarious nature of Iraq's fuel situation is readily apparent. On the positive side, Iraq is current on all but a (relatively) small, still disputed amount of Turkish fuel debt since the GOI began making all purchases via letter of credit this spring. Regular payments of the undisputed Turkish arrears are paid more or less on time. Finally, the Council of Ministers voted the week of July 31 to double funds for fuel imports for the next two months, from \$213 million per month to \$416 million/month.

¶5. (C) The GOI is now taking action on its own behalf. Prime  
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Minister Maliki told the Ambassador August 12 that he has spoken to Turkish Prime Minister Erdogan, King Abdul Aziz and Crown Prince Sultan of Saudi Arabia, and the Emir of Kuwait. They pledged "full cooperation" in facilitating increased fuel supplies for Iraq. In a meeting earlier the same day with Deputy Prime Minister Barham Saleh, National Security Advisor Mowafuq Rubaie Minister of Finance Bayan Jabr, Minister of Electricity Karim Wahid (NOTE: acting on behalf of Minister of Oil Hussein Shahrastani, currently in Iran. END NOTE), and Minister of Industry and Minerals Fawzi al-Hariri, and the Ambassador and senior Embassy staff, it was decided that the GOI will review measures it can take internally to address the source of some of the problems (to be reported septel), and that the ministers would contact their counterparts in neighboring countries to bolster the MoO's efforts to temporarily increase imports. The Ambassador agreed to ask the Department to request that our embassies in Kuwait, Turkey, Jordan, and Saudi Arabia contact the relevant officials in their host governments to urge support of the Iraqi request.

¶6. (SBU) Action requested: Request the Department instruct posts in Turkey, Saudi Arabia, Kuwait and Jordan to seek their host governments' support for the Iraqi request for immediate increases in fuel sales to Iraq, report on issues that would preclude them from doing so, and identify any actions or issues that the GOI must address with regard to your host country to facilitate fuel shipments.

For Ankara: In addition to the more general inquiry, we suggest the following additional points:

- In recent days, the number of SOMO fuel trucks crossing into Iraq via Habur Gate has dropped to less than 100 per day, despite requests from SOMO to increase fuel shipments.
- KRG President Masoud Barzani has provided assurances that there is nothing on the Kurdish side of the border to cause the lengthy queue on the Turkish side.
- We understand that, other than disputed arrears from January-February 2006 that will be addressed this month at a meeting of the Turkey-Iraq dispute resolution board, Iraq is

current on its fuel bill and is making regular payments on its agreed arrears.

-- Please advise what, specifically, is prohibiting an increase in SOMO shipments to Iraq from currently, fully-funded purchases and how we can advise the GOI to address the problem. Prime Minister Erdogan reportedly assured Iraqi PM Maliki that Turkey would fully cooperate in addressing the Iraqi fuel situation.

-- The GOI has agreed to quickly issue and fund letters of credit to facilitate additional purchases. We expect Iraqi Minister of Finance Bayan Jabr to contact his counterpart shortly.

-- We appreciate everything the GOT has done to ensure uninterrupted Coalition fuel supplies. Please advise what actions can be taken to expedite shipments of Iraqi fuel via Habur Gate.

End additional points for Ankara.

For Amman: In addition to the more general inquiry, we suggest the following additional point:

-- We understand that Jordan may not have sufficient trucking capacity on hand to move fuel to Iraq. Please advise if this is indeed the case and, if so, what are the alternatives?

End additional points for Amman.

For Riyadh: In addition to the more general inquiry, we suggest the following additional point:

-- Request the Arar border crossing be used for fuel shipments, due to GOI confidence in securing the area. Please advise.

End additional point for Riyadh.

17. (C) Post appreciates Department consideration of this request. A fuel crisis as we and the GOI enter into a critical phase of the Baghdad Security Plan will clearly have a negative impact on our efforts.

KHALILZAD